

**LODI CITY COUNCIL  
SPECIAL "TOWN HALL" CITY COUNCIL MEETING  
CARNEGIE FORUM, 305 WEST PINE STREET  
WEDNESDAY, AUGUST 29, 2001**

**A. ROLL CALL**

The Special "Town Hall" City Council meeting of August 29, 2001 was called to order by Mayor Nakanishi at 7:02 p.m.

Present: Council Members – Hitchcock (arrived at 7:20 p.m.), Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – None

Also Present: City Manager Flynn, Deputy City Attorney Schwabauer, and City Clerk Blackston

**B. TOPIC(S)**

- B-1 "City Council review of electric, water, and wastewater rates and discussion regarding reverse frontage walls"

Mayor Nakanishi welcomed the public to the third Town Hall meeting and explained that the purpose of these meetings is to provide information, discuss issues, and to listen to the public's concerns.

Mayor Nakanishi reported that California is in a power crisis, with electric utility rates increasing astronomically; yet, in Lodi the rates continue to be lower than in other cities. Another issue facing cities throughout the nation is infrastructure and problems with aging sewer and water systems. For years, a frequent complaint from Lodi citizens has been for the City to correct the aging and inadequate water and sewer lines throughout Lodi. Investigations into this matter found inadequate 2-inch water mains and old clay sewer lines. Lodi has one of the lowest water and sewer rates in California. A portion of the money from the rates goes toward paying maintenance and operation, but very little goes toward replacing the old, inadequate systems.

City Manager Flynn explained that tonight's discussion is not solely about rates, but will also include the City's services and what it costs to provide those services. To illustrate, the City's electric rates are determined by what it costs the City to purchase the power, which is then passed on to the citizens in the rate structure. The City must also look at its deteriorating infrastructure and the increasing environmental regulations from the state and federal governments. The quality of the water and sewer system is also of utmost importance to the public. Over the last 20 years, cities received assistance from the federal government in addressing infrastructure requirements; however, in 1986 the burden was shifted to the rate payers. Another important issue to many people in this community is reverse frontage walls. The standard now is that when development takes place, the walls are built as part of the project and is the responsibility of the homeowner to maintain them.

**Electric Rates**

Council Member Land gave a PowerPoint presentation regarding the City's electric utility rates (filed). Lodi Electric Utility's motto is, "Large enough to meet your needs, small enough to care," which is truly representative of the outstanding job it does in serving the community. Lodi is fortunate that its forefathers took the opportunity to move forward and participate in a joint partnership with the Northern California Power Agency (NCPA) and that today Lodi produces 75% of its own electricity. Lodi has five hydroelectric plants along the Stanislaus River, two geothermal plants, and five gas turbine plants. Electric Utility contributes approximately \$4 million to the General Fund, which represents about 12% in an in-lieu transfer fee.

Mr. Land explained that a kilowatt-hour (KWh), which is used to measure the amount of electricity used by customers, is equivalent to ten 1,000-watt light bulbs burning for one hour. Every customer has a minimum charge of \$4.87, and the rates are divided into two categories: summer (May – October) and winter.

Lodi offers a rate 20% below the residential service for those with limited resources under the Single Household Alternative Rate for Energy (SHARE) program. To be eligible to participate in SHARE, applicants must qualify based on maximum annual household income. The City also has an All Electric Rate for residential customers with permanently installed electric heating as their primary source. Another reduced rate program is the Residential Medical Rider, which entitles the customer to an additional 500 KWh per billing cycle. This program requires certification by a doctor that a medical condition exists requiring special air-conditioning needs. The commercial rates include six different rate schedules depending on the size of the business and its needs, demands, and usage. The Market Cost Adjustment (MCA), approved by Council in August, was activated to provide for increases or decreases in the City's cost for electric service and will be reviewed by the Council quarterly. The MCA does not apply to customers in the SHARE or other reduced rate programs.

Mr. Land demonstrated how to read a City bill and calculate the monthly rates based on the usage. Lodi offers many public benefit programs to encourage the conservation of electricity. There are rebate programs for washers and dryers, refrigerators, electric lawn mowers, tinting windows, and sunscreens. The public was encouraged to participate in these energy consumption reduction programs.

#### **Wastewater Rates**

Council Member Howard gave a presentation on the current status and history of Lodi's wastewater system. Around the 1930s, wastewater pipes were made out of cast iron. After time they developed problems, which included breakdown, corrosion, and dirt and other elements working its way through the piping systems. The pipes were not lasting as long as initially hoped, and in those days it was difficult to predict the future amount of people living in homes and the anticipated usage of water and wastewater. Later, instead of using cast iron, pipes were being converted to concrete and clay with a 6-inch diameter. The pipes were heavy and large, but the longevity of concrete and clay is much better than cast iron. Over time leaks tend to occur at the joints. The best type of jointing system is a plastic system with a rubber lining because it does not have the same type of leaking ratio as cement to cement.

Current funds allow for on-going maintenance of the system, but the reserve dollars are showing a gradual decline, in addition to the lack of funds available for replacement work and upgrades. Council is considering a staff recommendation for a plan to create a reserve of 15%, or approximately \$750,000. It has also been suggested to set aside \$600,000 for emergency services, including such things as unforeseen regulations from the state, from studies, or from any cleanup efforts. Unless changes are made, the City does not have funds available in its reserve to accommodate these needs.

The last water rate increase occurred in 1987, with the rates increasing each year until 1991. Since then the rates have not been increased, and in comparison with other cities, Lodi's rates are low. Because a significant portion of the City's system needs repair, a rate increase is necessary. The overall cost for replacement on a 100-year cycle is estimated at approximately \$1.8 million per year; whereas, a 75-year replacement timeline is estimated at approximately \$2.4 million. Council, staff, and the community will discuss the matter as final rates are determined. One of the suggestions for the rate increase is to not have the increase go into effect all at once, but rather have it go into effect this Fall with another increase in the Spring. For example, the existing rate for a three-bedroom home is \$8.90. If a 30% rate increase went into effect this Fall, a customer would pay \$12.02, and then \$16.22 in the Spring when the additional 30% takes effect.

#### **Water Rates**

Mayor Pro Tempore Pennino reported that all of Lodi's water comes from groundwater, pumped through 26 wells, and at this time, Lodi does not rely on surface water. Many years ago Lodi's leaders allowed others to take our surface water through the Mokelumne River, which is the reason Lodi relies 100% on groundwater. Each well represents water for about 2,000 people, and with 26 wells, Lodi is about three wells behind schedule. The

City has looked at other sources for surface water, including possibly taking water from the American River or the Delta Area and bringing it down through the east side of San Joaquin County. Estimates have been as high as \$35 million. There are about 57 various water agencies in the county that all have different opinions on how water should be handled.

Lodi's water flows underground northeast to the southwest. In 1994/95, the City won a settlement, in which charcoal filters to remove dibromochloropropane (DBCP) were completely funded. Water is pumped into two big storage containers: one located at Locust and Main Street and the other in the industrial substation east of Beckman. One of Lodi's disadvantages is that it is located on the side of a hill, so water that is pumped into our area actually flows underground toward Stockton. He provided the following statistics: One person uses an average of 258 gallons of water per day, and a family of four uses approximately 30,960 gallons per month; 72% of Lodi's water usage is from residential customers and 28% commercial.

There are approximately 77,000 lineal feet of 2-inch water mains that need to be replaced. It is estimated at \$15 million to replace the lines, and a plan must be formulated to fund the replacement over a 5-10 year period. The current rate in Lodi for a three-bedroom home is \$12.45 (\$10.68 goes toward operations and maintenance; 90 cents goes into Capital maintenance and equipment needed for the wells; and the balance of 87 cents per month goes into the infrastructure and replacement program). Possible suggestions to fund the replacement program are to reduce the transfer amount into the General Fund or reduce the operation and maintenance costs. The water infrastructure problem is not only a challenge on the east side, because 60-70% of the pipes in question are actually west of the railroad tracks and are spread throughout the community.

#### **Reverse Frontage Walls**

Council Member Hitchcock explained that reverse frontage walls separate housing communities from the traffic. The walls do a lot to soften the look of the hard streetscape; however, without landscaping the appearance can be harsh or bare. The benefits to reverse frontage walls are that it maximizes the use of the land, allows for more homes to be built in subdivisions, provides more flexibility in the street layout, addresses safety concerns, and can be aesthetically pleasing. People with small children are more likely to purchase a home that does not face a busy street. The alternative is to build homes facing the street or build along a frontage road, which takes up too much land and increases traffic hazards.

The current issue with reverse frontage walls, is who has the responsibility for maintaining them. This is dependent on the way it was originally determined when the walls were built. Funding for reverse frontage walls could be derived from any of the following sources:

- Homeowners
- Homeowner associations
- A one-time payment by the developer (after which the City maintains the wall and landscaping)
- Lighting and Landscaping District
- Mello Roos District

#### **PUBLIC COMMENTS:**

- Veronica Eichhorn expressed her concern about the reverse frontage wall along her property on Orchis Court. Mrs. Eichhorn is afraid that someone may be injured by falling bricks, and the wall should be considered a safety hazard. When she and her husband purchased the home ten years ago, the developer had already built the wall. The wall was faulty from the beginning because the supporting pillars, which should have been filled with concrete, were left hollow. Now the wall is leaning and cracking. According to the Public Works Director there was a permit issued and an agreement

between the City and the developer that required the owner to maintain the wall. The developer and engineer are now both deceased. Mrs. Eichhorn questioned why the City did not oversee the contractor to ensure that the wall was properly built. She hoped Council would take the necessary steps to fix the wall as soon as possible.

Public Works Director Prima explained that the wall was built in the early 1980s, and at that time the City did not require the issuance of a building permit. The only permit required was an encroachment permit, which allowed the wall to encroach into the public right-of-way. At that time the walls were handled privately, and under the conditions of the approval of the project, the developer paid for and built the wall, while the homeowners maintained it. In this particular case the developer (rather than set up a homeowners association to pay for the wall) entered into an agreement with the City and agreed to maintain the wall, the responsibility of which he then passed on to each homeowner. Those types of agreements were recorded with each parcel, and in theory a potential buyer is to be made aware of the agreement in place. The City had a contractor inspect it who confirmed that the supports were left hollow inside; however, the City does not have the authority to do this work on private property.

In reply to Council Member Hitchcock, Deputy City Attorney Schwabauer stated that there are specific statutes of limitations that govern construction – “patent defects” refer to visible defects and “latent defects” refer to defects not noticeable to the average person. The statute of limitations on latent defects is ten years from when the structure was built, and it would appear that this timeframe has long past in Ms. Eichhorn’s case.

Council Member Land suggested that the City take a leadership role in bringing the neighborhood together to explain their options and help them move through the process of rebuilding the wall.

City Manager Flynn indicated that, in addition to setting up this neighborhood meeting, he would ask the Community Improvement Division to look at the structure as a possible safety hazard.

Community Development Director Bartlam agreed that Community Improvement should conduct its own inspection to determine the safety and condition of the wall. Mr. Bartlam took this opportunity to explain that this example is the very reason permits and inspections are so important. The fee for the building permit pays for an inspector to verify that a project is being built properly, whether it is a wall, house, patio cover, etc. Following the inspection, Mr. Bartlam will facilitate a neighborhood meeting to outline what the defects are and how they might be repaired and/or replaced.

In response to Council Member Hitchcock, Community Development Director Bartlam explained that the newer development projects typically install masonry walls, while the older, privately maintained walls were made from wood.

Public Works Director Prima added that the oldest walls, like those along Ham Lane, are privately owned and maintained. The next age group of walls, including those on South Hutchins Street, are publicly owned and maintained. In the late 1960-70s, the walls were constructed with a combination of block and wood. The policy now is that the developer has a choice to either establish an association that has the reserve funds according to state law to take care of these walls and landscaping, or pay the City a one-time fee of approximately \$49.00 per foot (without landscaping).

In response to Council Member Hitchcock, Mr. Prima stated that the City is collecting enough money from these one-time deposits to pay for the maintenance of the masonry wall and landscaping. The City is not collecting enough, however, to rebuild the old, deteriorating walls, nor could the City require developers to pay for such repairs in addition to any wall that is a part of their development project. The homeowners can form their own district and assess themselves, or form one through the City where it would front the money, which is then put onto the homeowners’ taxes.

- Evelyn Rocha commented on the sewer rates and stated that she and her husband have lived in their three-bedroom/one bathroom house since 1964. They both retired on social security and must be aware of any increases that affect them. She realized that the water problem is great, but it does not seem fair that someone with a three-bedroom/one bathroom house should have to pay the same rate as someone with 2 or 2.5 baths and more people living in the house.

Mayor Pro Tempore Pennino responded that there are discount programs available for citizens on a fixed income and encouraged customers to take advantage of them by contacting the Lodi Finance Department.

Council Member Land offered a possible solution where a discounted rate for those 65 and older be created, and a sworn statement that only two people reside in the home be required.

Council Member Hitchcock stated that the only way to have equity with the rates is to meter the water use. Water meters would have the additional advantage of encouraging conservation, as it did with electricity.

Mayor Nakanishi commented that he had spoken to Ms. Rocha previously and explained that installation of a meter on her home would cost her \$1,100. This amount does not take into account related infrastructure costs.

- Eileen St. Yves suggested that the water/wastewater rates be put on a business plan operating on a calendar year, rather than a fiscal year. The average business runs from January 1 – December 31, and it is difficult to put together a budget when the rate increases follow a different schedule. Ms. St. Yves requested that the wastewater, water, and electricity rates increase yearly by 1–2%, instead of in lumps of 30–70%. This way, businesses can budget for the increases, and it is much easier for those on a fixed income. She added that water meters would teach residents to conserve.

Council Member Land agreed that it would make sense for Lodi's rate increases to follow a calendar year with an approximately 90-day notice before the rates go into effect.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:50 p.m.

ATTEST:

Susan J. Blackston  
City Clerk